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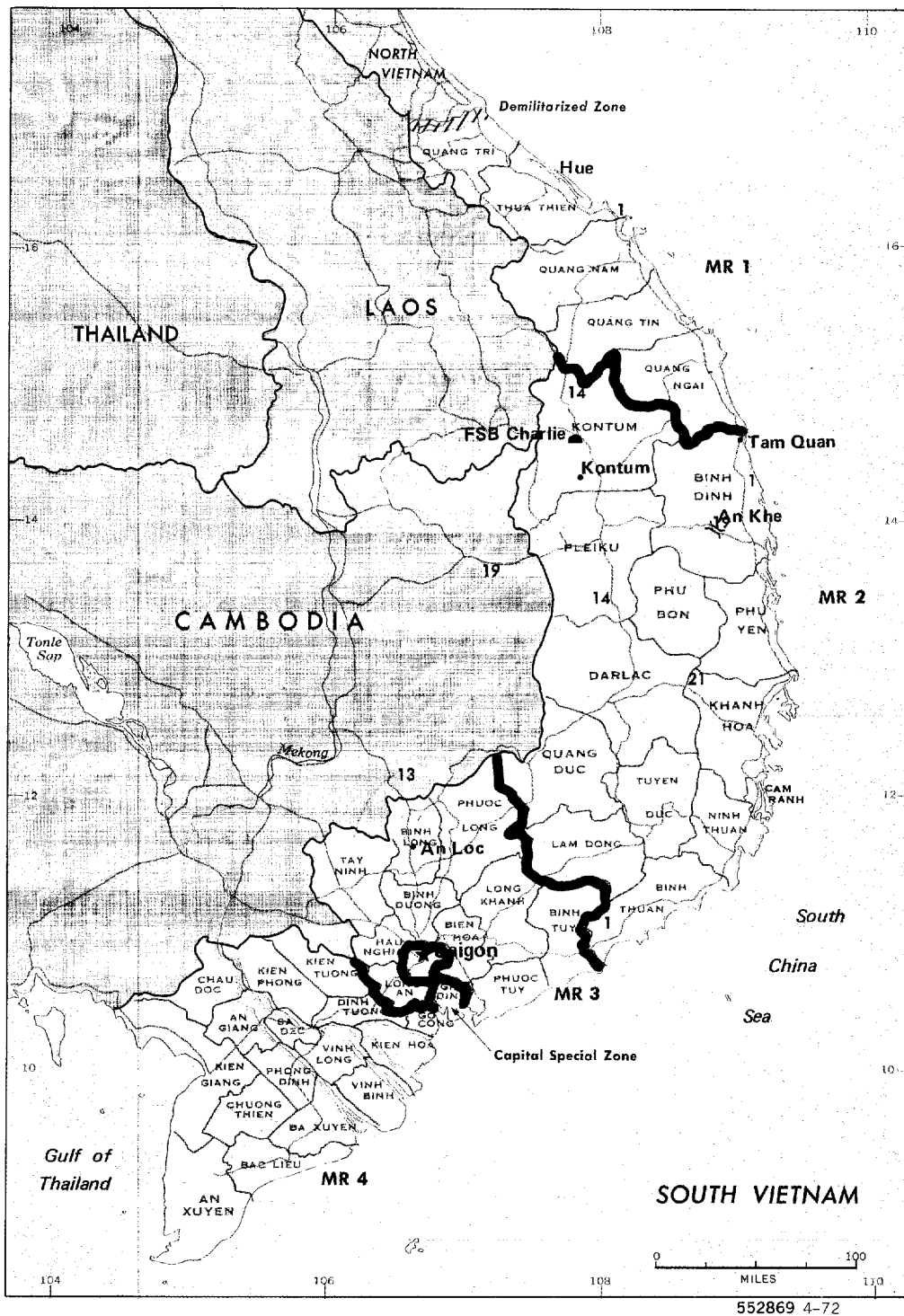
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SOUTH VIETNAM: The relative lull in major Communist attacks continued for a second day throughout most of South Vietnam.

The situation around An Loc remains stable with the town still in friendly hands. The enemy mounted no new armored or infantry assaults but shelled the town.

In Military Region 2, enemy forces are beginning to show new vigor, particularly in the interdiction of government lines of communication. Route 19 connecting the highlands to the coast has been blocked at An Khe Pass for over a week. Traffic on Route 1 along the coast is being impeded as Communist local forces knock out bridges, mine roads, and ambush convoys from Binh Dinh south through Phu Yen to Khanh Hoa Province. Traffic on Route 14 in the central highlands and on Route 21 in southern MR-2 is also being harassed, but so far to a lesser degree.

These interdictions are meant to make resupply more difficult, to tie government forces to road security duty, and to isolate government military positions and towns, making them more vulnerable to enemy attack. General Dzu, the MR-2 commander, has expressed some concern, observing that his troops will have to be more careful about the rate at which they expend ammunition.

Thus far, enemy forces operating in MR-2 have scored three psychologically damaging successes. After elements of the Communist 320th Division drove government defenders out of Fire Support Base Charlie north of Kontum city last week, local Viet Cong units overran Tam Quan district headquarters in Binh Dinh Province over the weekend. In an engagement on 15 April not previously reported, elements of the Communist 3rd Division forced two battalions of the South Vietnamese 40th Regiment to break and run, although both battalions regrouped some hours later.

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Government forces are also scoring some successes, however. In addition to holding An Loc against a large attacking force, units from the 1st ARVN Division attacked enemy forces in two engagements ten miles southwest of Hue on 17 April, reportedly killing about 370 enemy troops. [REDACTED]

[REDACTED]

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NORTH VIETNAM: Hanoi has offered to send politburo member Le Duc Tho back to Paris, apparently in an attempt to bring about a halt to US bombing in North Vietnam and to influence US domestic opinion.

According to press reports, chief negotiator Xuan Thuy said on 17 April that if the Paris negotiations were resumed "in the usual manner" and if the US stopped bombing North Vietnam, Tho would return to Paris. Thuy also intimated that further secret talks might be possible if these two conditions were met. Tho met privately with Dr. Kissinger three times in 1971, and even before then the Communists often undertook new negotiating approaches during his trips to Paris.

Thuy's announcement would seem to signal a more flexible approach to Communist negotiating tactics than has been implicit in Hanoi's recent public line. His statements reveal nothing on the substance of the current Communist negotiating demands; he said only that Hanoi continues to support the Viet Cong's seven points and the two-point "elaboration" last February. But his ostensible interest in resuming the talks suggests that the Communists are trying to create the impression that they have something new in mind.

This move clearly is in part a response to the bombing attacks over the weekend. At yesterday's press conference, Thuy quoted extensively from an emotional North Vietnamese government-party statement that asserted that the bombing will have no long-range effect on North Vietnam. The statement also seemed to betray some uneasiness over the US stance at Paris and President Nixon's trips to Peking and Moscow in its claim that Washington is "using crafty political and diplomatic ploys to cover up its wicked design of aggression." It repeated the appeal for additional public support that Hanoi directed at the Soviet Union and China on 11 April.

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Nothing, however, in either Thuy's remarks or the joint statement indicates that Hanoi is bending under the current pressures. The statement asserts that Hanoi will not be "intimidated" by the air strikes, and it calls on the Vietnamese people to strengthen their resolve. There are indications in press reporting that Le Duc Tho's return to Paris had been contemplated before the bombing began.

Thus it seems likely that Hanoi had other objectives in surfacing this new line. At the least, in addition to putting maximum public pressure on the US to halt the bombing, it probably is hoping to give as much ammunition as possible to domestic opponents of Washington's policy as a whole. [REDACTED]

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EGYPT: Cairo evidently has reached an understanding with a consortium of European banks on some \$200 million in basic hard currency financing for the SUMED pipeline.

The pipeline, which is to carry oil from the Gulf of Suez to the Mediterranean, has been delayed for about three years, mainly because of unresolved differences over the amount of control to be exercised by creditors during the eight-year repayment period. The text of the "general financial agreement" initialed in Cairo late last week resolved all major issues, according to press reports.

Before construction begins, however, the financial agreement must be approved by the governments of as many as nine lending countries if the bank loans involved are to be officially guaranteed as planned. Some aspects of the previously signed construction contract have become obsolete and will have to be renegotiated. Moreover, the financial agreement is predicated upon the signature of contracts by users to cover the bulk of the line's capacity. Because the prospective 1973 completion date cannot now be met, all user pledges also have to be renegotiated. Agreements must also be obtained for capacity that has never been committed. [REDACTED]

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CHILE: Santiago will sharply increase grain imports, probably on credit, to offset the marked deterioration in agricultural production.

Total farm output in 1972 is likely to fall about ten percent because political uncertainties have drastically reduced agricultural investment. The increased pace of legal and illegal farm seizures has undermined morale in the private farm sector. Moreover, shortages of imported fertilizers, chemicals, and spare parts have hurt production at both private and state-controlled agricultural enterprises.

Wheat imports probably will reach 700,000 metric tons, a 40-percent increase over last year, and corn imports are likely to jump almost 70 percent to 500,000 metric tons. Increased imports of rye, barley, oats, and potatoes also are likely.

Chile already has contracted for 350,000 metric tons of wheat from Australia and hopes to get an additional 200,000 tons from Argentina, but Buenos Aires probably will supply only half that amount. Moscow reportedly informed Santiago that it will supply up to 200,000 tons, but only if Chile is unable to fill its requirements elsewhere.

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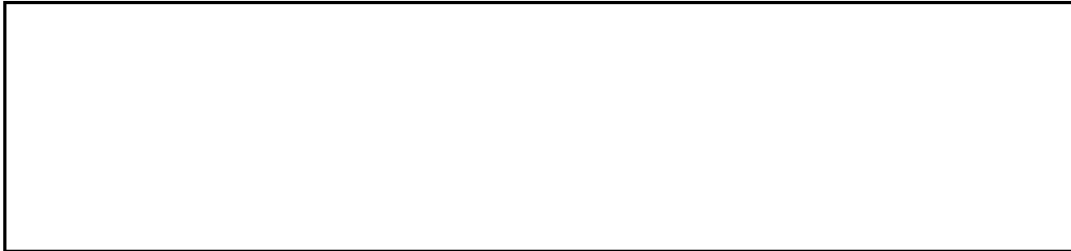
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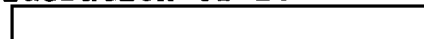
JAMAICA-CUBA: Jamaica's new prime minister may be coming under pressure to establish full diplomatic relations with Cuba.



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At present, Jamaica's business with Havana is handled by the UK, but Cuba has had a consulate in Kingston for several years. Manley is known to favor regional economic cooperation and may intend to include Cuba in whatever initiatives he takes in this direction.

Policy decisions involving Cuba apparently are still in the discussion stage. While certain members of the Manley government will press for better relations with Cuba and the other Communist nations, Manley will probably move toward normalization of relations only after careful consideration of its effect on relations with the US.



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INDIA: New Delhi's new restrictions and demands on foreign-owned firms will hit the oil companies hardest.

The Indian finance minister announced last week that the government will limit dividend remittances abroad by wholly foreign-owned companies in India. New Delhi is aiming at the foreign oil refineries that have been repatriating their large Indian-held reserves in anticipation of either nationalization or sharply increased government ownership. According to government sources, about half of the \$30 million remitted by the oil companies as dividends in 1969 and 1970 were from such reserves. In addition, New Delhi has announced that by the end of the year the oil companies must build crude oil storage sufficient for 36 days, rather than the present 12 to 14 days. The government claims the storage is necessary for national emergencies, but the oil companies note that it will give the government more latitude in applying pressures during price disputes.

So far, government moves toward nationalizing the refineries have been held up for lack of a cheap alternative source of crude oil. Efforts to find additional domestic reserves or assured sources abroad at reasonable prices have not been successful.

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PAKISTAN: The National Assembly approved an interim constitution yesterday, President Bhutto's prerequisite for lifting martial law on 21 April. Because the constitution reportedly leans toward a strong central presidency and contains other provisions that will have the effect of keeping Bhutto in power, autonomy-minded regional opposition parties abstained. The opposition parties were reluctant to vote against the constitution because this would have put them on record as obstructing the termination of martial law. Much of Bhutto's program has yet to be tested in the assembly, however, and the strong competition between his Pakistan People's Party and the opposition will lead to further difficulties between them. [REDACTED]

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COLOMBIA: Ex-dictator Rojas Pinilla's National Popular Alliance (ANAPO) suffered a major setback in the elections on Sunday for municipal councils and departmental legislatures. Results are not complete but it appears unlikely that ANAPO can overcome the lead that the traditional Liberal and Conservative parties have established. These parties are still split, and they will have to work hard to maintain their hegemony in the 1974 general election. [REDACTED] ANAPO partisans might attempt to provoke violence if their party lost; security forces remain alerted and probably will be able to control disturbances. [REDACTED]

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